

## Message Text

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70

ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 INT-05 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 PA-01

PRS-01 NSC-05 SS-15 STR-04 CEA-01 /097 W

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 6446

INFO AMEMBASSY OTTAWA

LIMITED OFFICIAL USE SANTIAGO 0103

EO 11652: NA

TAGS: EINV, EMIN, EALR, CI

SUBJ: GOC ANNOUNCES AGREEMENT WITH NORANDA TO EXPLOIT ANDACOLLO  
DEPOSIT

REF: 75 SANTIAGO A-188

1. BEGIN UNCLASSIFIED. THE GOC ANNOUNCED JANUARY 5 GOC'S FINAL  
ACCEPTANCE OF LETTER OF INTENT BY NORANDA, A CANADIAN COMPANY,  
FOR THE EXPLORATION OF ANDACOLLO DEPOSITS 350 KILOMETERS NORTH  
OF SANTIAGO. A CHILEAN COMPANY WILL BE FORMED WITH 51 PERCENT  
CHILEAN CAPITAL, THE OBTAINING OF WHICH WILL BE ASSISTED BY  
NORANDA. FORTY-NINE PERCENT WILL BE PROVIDED DIRECTLY BY  
NORANDA.

2. THE FIRST STAGE WILL CONSIST OF PROSPECTING, WHICH HAD AL-  
READY BEEN STARTED BY ENAMI, A CHILEAN STATE CORPORATION WHICH,  
BY AGREEMENT WITH PRIVATE OWNERS, HOLDS RIGHT TO ARRANGE EXPLORA-  
TION RIGHTS WITH OPTION TO BUY BY FOREIGN MINING CONCERN.

NORANDA'S NEW COMPANY, WHICH BECOMES BEFEEFICIARY OF THIS AGREE-  
MENT, MUST NOW REACH ITS OWN ARRANGEMENTS WITH PRIVATE OWNERS,  
RALLY A PRO-FORMA EXERCISE, WHICH WILL ENSURE TO IT EXCLUSIVE

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EXPLORATION RIGHTS FOR NEXT 18 MONTHS, AND OPTION TO BUY.

3. DURING FIRST STAGE, NORANDA WILL BE NEGOTIATING FINAL CONTRACT WITH GOC. SECOND STAGE, WHICH WILL BEGIN IF AND WHEN THIS CONTRACT IS FINALIZED, IS EXPECTED TO LAST 24 MONTHS, AND WILL SEE CONSTRUCTION OF MINE AND CONCENTRATOR. THE MINE IS ESTIMATED TO COST \$260 MILLION, TO WHICH WOULD BE ADDED \$100 MILLION SHOULD FEASIBLE STUDY INDICATE THE DESIRABILITY OF A SMELTER. CONSTRUCTION PHASE WILL GIVE DIRECT EMPLOYMENT TO ABOUT 1,500 PERSONS BEGINNING IN 1977, AND INDIRECTLY TO MANY MORE THROUGH CONTEMPLATED INFRASTRUCTURAL IMPROVEMENTS SUCH AS ROADS, HOSPITALS, SCHOOLS, HOUSING, RECREATIONAL FACILITIES AND OTHER UTILITIES.

4. THIRD PHASE, ACTUAL PRODUCTION, SHOULD BEGIN WITH START UP ON COMMERCIAL BASIS IN MID-1979. THIS SHOULD AFFORD REGULAR EMPLOYMENT TO 700 PERSONS PLUS 300 IF A SMELTER IS BUILT.

5. ANDACOLLO MINERAL RESERVES ARE NOW REPORTED AT 220 MILLIONS OF TONS, WHICH WILL BE PROCESSED AT 40 THOUSAND TONS PER DAY YIELDING AN EXPECTED MINIMUM OF 75 THOUSAND TONS OF FINE COPPER PER YEAR. END UNCLASSIFIED.

6. BEGIN LIMITED OFFICIAL USE. NORANDA EXPLORATION MANAGER VELASQUEZ SPRING CAUTIONED EMBOFF NOT TO BELIEVE ANY STATEMENTS NOW BEING MADE ABOUT COPPER CONTENT OF ANDACOLLO ORE. CONSISTENT DISCREPANCY APPEARS BETWEEN SAMPLINGS TAKEN FROM ALREADY EXISTING SHAFTS AND THOSE OBTAINED BY RECENT CORE DRILLING. NORANDA EXPECTS PROFITABILITY ON MOST PESSIMISTIC ASSUMPTION. THERE HAS, ADDED SPRING, BEEN A LONG HISTORY OF MINING AT ANDACOLLO, GOING BACK TO PRE-COLONIAL DAYS WHEN IT WAS WORKED AS PLACER GOLD MINE. IN THE 1940S, FIRST SHAFTS FOR PURPOSES OF COPPER EXTRACTION WERE SUNK INTO SECONDARY ENRICHMENT LAYER, AND SOME PRODUCTION OF CEMENT COPPER CONTINUES TO THIS DAY. END LIMITED OFFICIAL USE.  
POPPER

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## Message Attributes

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